Gold Demand Trends

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FIRST QUARTER 2010

The content and structure of Gold Demand Trends (GDT), has been improved in order to better meet the needs of our readers. The report is now divided into three sections: 1) Global Outlook sets out the WGC's outlook on the dynamics and trends in the gold markets worldwide and examines the themes driving demand. 2) Focus Report provides in-depth analysis of topical developments or themes. This edition focuses on the Indian gold market. 3) Gold Demand Statistics sets out demand and supply statistics for the quarter.

We trust that the new GDT format proves to be more insightful and topical and please send any feedback that you may have on the new publication to matthew.graydon@gold.org.

Global outlook for gold market

- The WGC expects that demand for gold is likely to be strong during 2010 driven by jewellery demand in India and China and investment demand in Europe and the USA. Weak economic recovery in the US and Europe is burdened by high and rising public debt levels in the wake of the financial crisis. As a result, the attraction of gold to investors as a liquid, reliable asset that is both a source of stability and a store of value is high. If economic recovery does gather pace in Western countries during the second half of 2010, this will enable jewellery demand in Europe and US to recover, propelled initially by restocking in the jewellery sector as stocks have been run down to very lean levels. In China growth remained strong in Q1 driven by jewellery demand and in India jewellery demand has been recovering in spite of high gold prices. In the Middle East and Turkey demand is recovering compared with Q1 2009 and there is likely to be pent up demand in Turkey, after the long slump beginning in the third quarter of 2008. Turkish consumers are very pro-gold but deterred by higher prices and are waiting for a 'summer lull' to buy. Recently, Mr Yunus Aloglu, the Deputy Head of the Istanbul Gold Exchange stated that Turkey's gold market is still in a healthy state and explained that the country's long-standing association with gold is unlikely to change any time soon.[1] Mr Aloglu believes that Turkish consumers have switched from buying gold jewellery to making financial investments in the metal, including in gold-based deposit accounts.

- Gold demand in both India and China was very strong and achieved higher volumes in the first quarter of 2010 compared to 2009 inspite of higher local currency gold prices underpinned by strong economic growth. India was the strongest performing market, as total consumer demand surged 698% to 193.5 tonnes. On 12 May 2010, the spot gold price in India surged to Rs 56,032/oz , the highest level for the year and just below December's record of Rs56,052/oz, while at the same time gold prices in Chinese renminbi terms also hit a fresh all-time high of RMB8,480/oz. This suggests that consumers are becoming accustomed to higher prices.

[1] *Financial Times, 6 May 2010*

Contents

Chart 1: Indian demand in tonnes

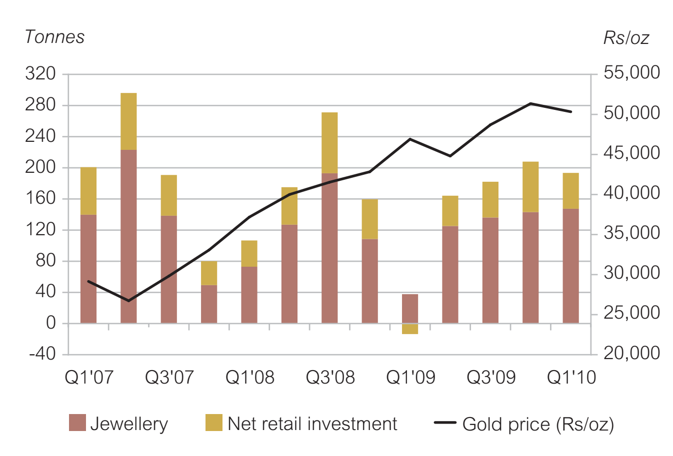
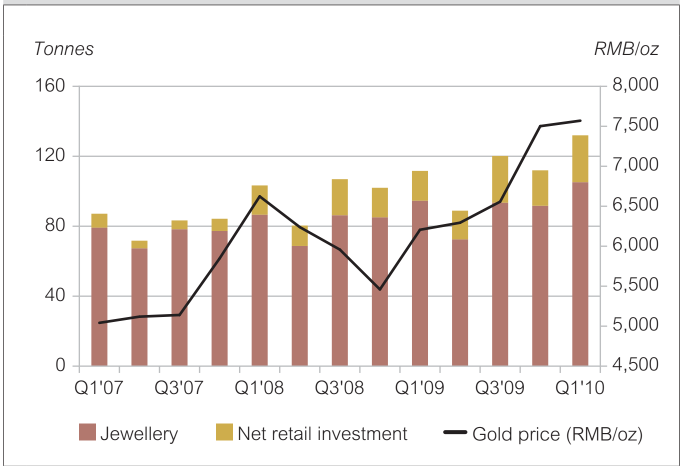


Chart 2: Chinese demand in tonnes



Note: Jewellery demand data is consumption not fabrication
Source: the WGC, GFMS, Bloomberg

Chart 3: US demand in tonnes

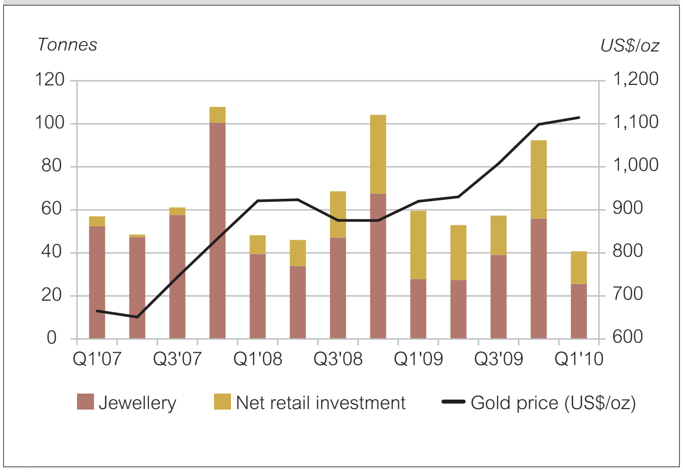
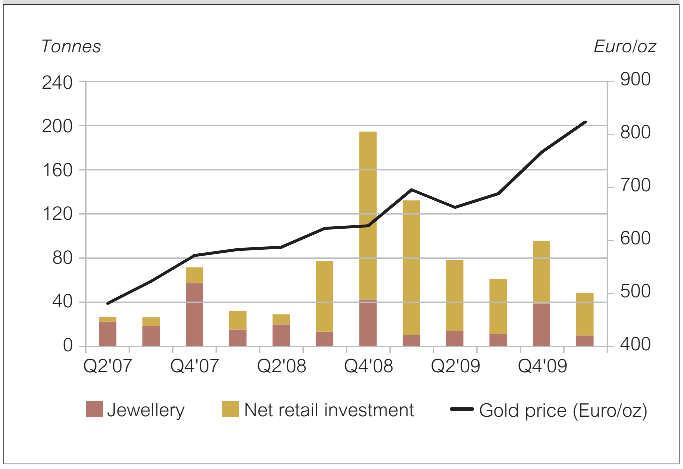


Chart 4: Europe demand in tonnes



Note: Europe jewellery demand data includes Italian and UK only
Source: the WGC, GFMS, Bloomberg

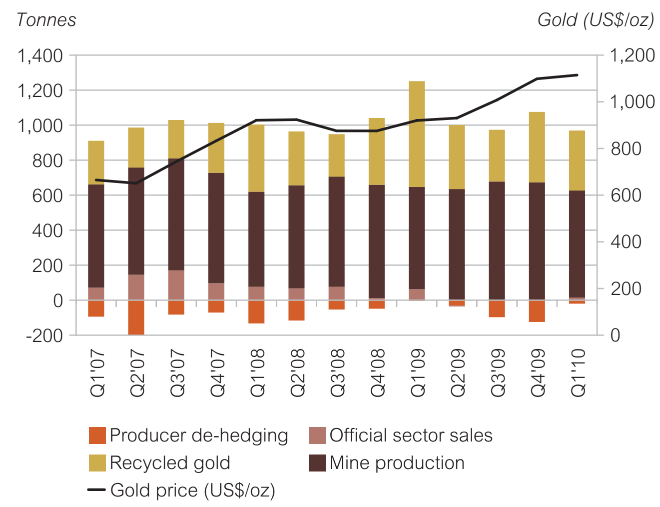
- The gathering storm over Greece's public finances and debt contagion fears in Europe and the US has led to strong buying of gold coins, bars and exchange traded funds (ETFs) which may produce growth in investment demand in Q2. While momentum in ETF tonnage paused during the first quarter of the year, we have seen gold ETF flows start to rise strongly again during the second quarter as anxious investors seek safe and less volatile investments in which to protect their funds against economic turmoil. Currently, European gold investment demand is exceptionally strong, especially from German and Swiss investors. This is mainly attributable to concern over public debt levels in the Eurozone and the potential inflationary impact of the European Central Bank's (ECB) announcement of a US$1tn (€750 bn) rescue package to purchase Eurozone government bonds to address the Greek debt crisis. In the USA, American Eagle gold coin sales volumes have surged as concern over the Eurozone debt crisis has spilled over into US. The US Mint reported that sales of gold coins were double their usual rate during the week commencing 3 May 2010.

- The WGC expects supply to rise to meet the strength of demand. We expect some growth in gold mine production and upward revisions to resources estimates owing to increases of long-term gold price forecasts by analysts. Gold producers in particular in China and South Africa may attempt to increase production where possible in response to the higher gold price environment. In May, Buenaventura and Gold Fields announced that their Peruvian Canahuire deposit contains a "very promising gold discovery", of up to 5.6mn ounces of gold equivalent.[2] According to the two firms that jointly own the Chucapaca project, pre-feasibility studies could be carried out at the site

[2] *Bloomberg, 11 May 2010*

as early as July 2010. However, in spite of producers responding to the higher gold price, the overall trend in mine production during recent years is downwards. The announcement of the Henry Tax in Australia, the second largest gold producing nation in 2009 may result in a reduction in gold production in the future. The tax aims to raise approximately AUD$12mn in its first two years. The country's biggest miners have threatened to cancel expansion plans in everything from iron-ore, copper and uranium mining to gas and gold unless the government rethinks its plan to introduce the tax in 2012.[3] Supply from recycling activity is linked to the gold price however, the recent drop in recycling flows in spite of high prices reflects an exhaustion of near-market supplies of old gold available for recycling. For recycling to increase again the WGC believes that a considerably higher price will be required to flush out less readily available supply.

Chart 5: Quarterly supply (tonnes) and gold price (US$/oz)



Source: the WGC, GFMS, Bloomberg

[3] *Reuters, 10 May 2010*

India gold market

Summary outlook – India holding on to its golden crown

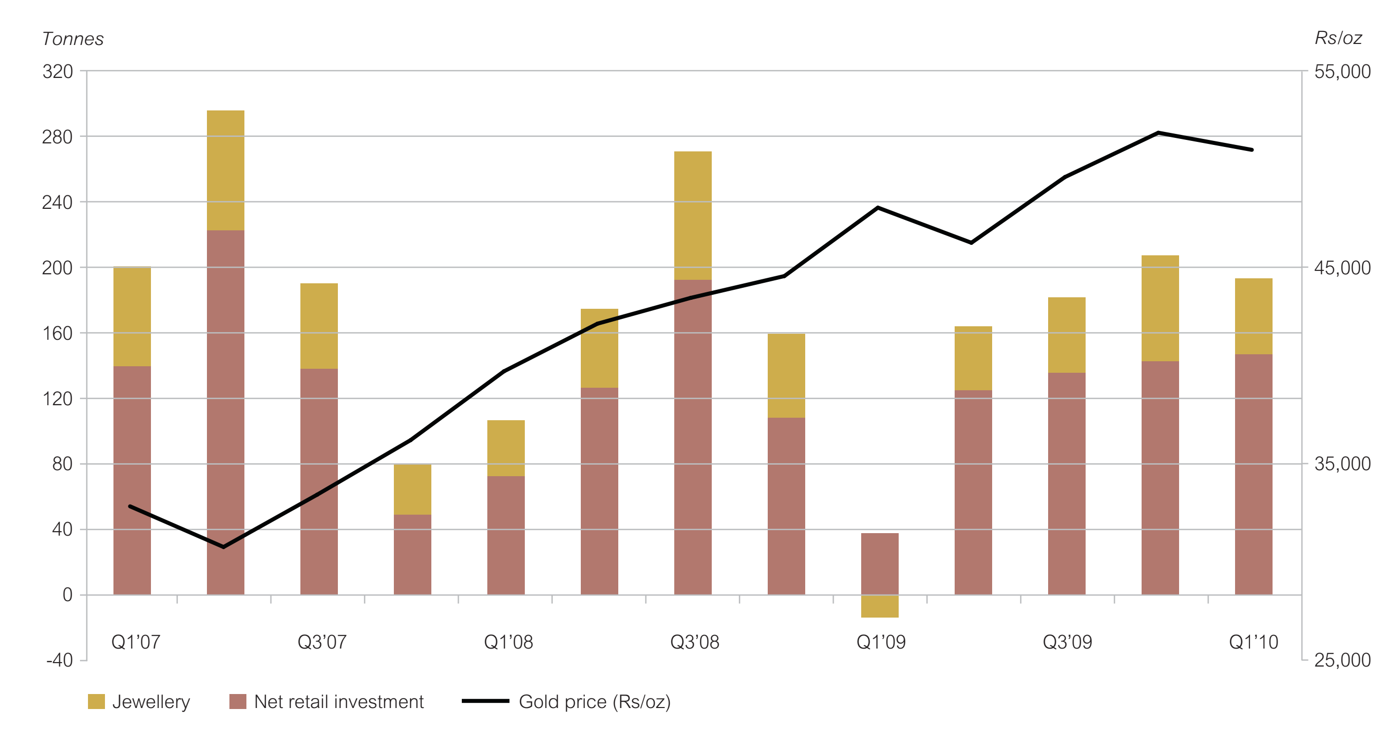
India remains the cornerstone of the global gold physical market. In 2009, India accounted for 25% of gold jewellery consumption, 19% of total net retail investment demand (coins and bars) and 17% of other industrial and decorative demand on a global basis.

So far, India has had a good start to the year, as witnessed in both the Q1 2010 jewellery and net retail investment figures compared to the corresponding period in 2009. The Indian gold jewellery sector accounted for 75% of total domestic gold demand in 2009 and, with an estimated 10 million marriages a year taking place in India, wedding-related demand accounts for a substantial proportion of overall jewellery demand. Since the fourth quarter of 2009, jewellery demand has been comparatively stronger as domestic consumers became reconciled to making their necessary purchases, notwithstanding prices rising to new record levels in excess of Rs56,000/oz. As consumers have adjusted their price expectations upwards, a further rise in the price could be anticipated.

In the future, the WGC believes there is considerable potential for growth in the Indian jewellery market given that domestic income levels are on the rise according to IHS Global insight's projections for 2010-15, notwithstanding that budgets are being constrained by the prevailing high price of gold.

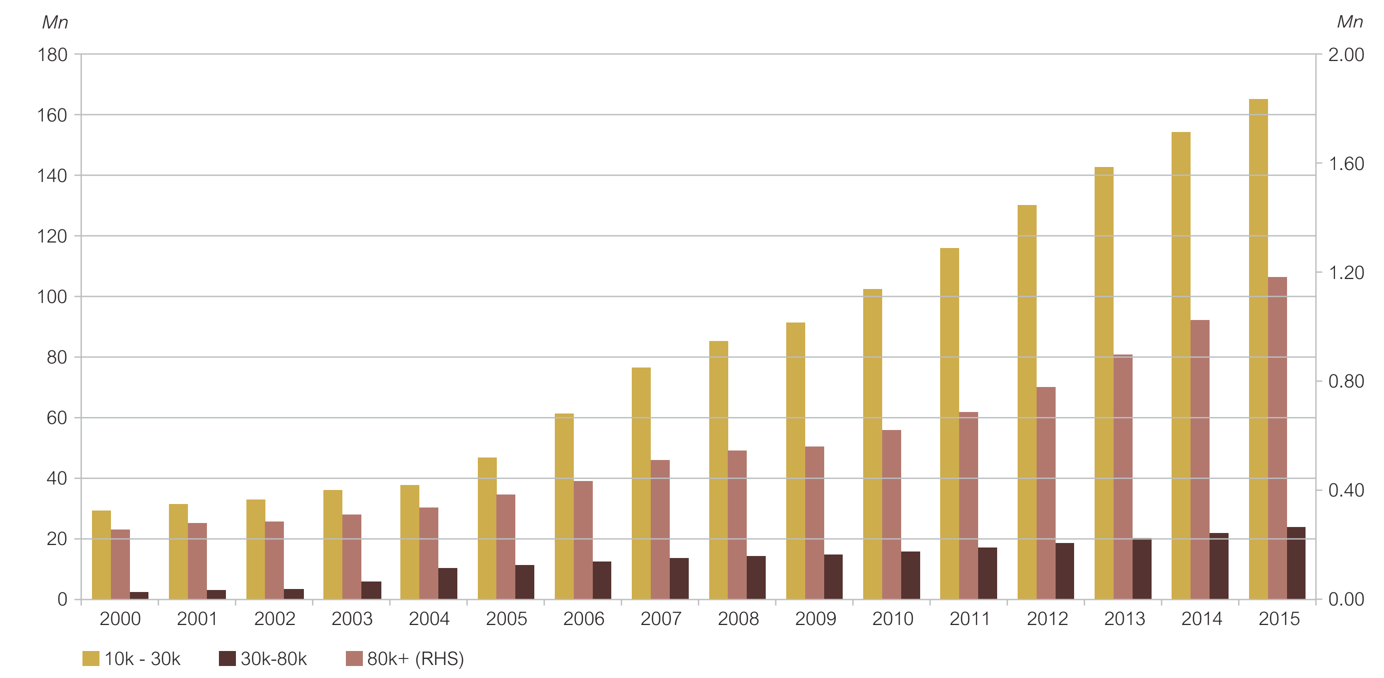
Gold is also viewed by Indians as a secure and easily accessible investment by the rural community, which accounts for around 70% of the population. In India, gold continues to have the added virtue of being an inflation hedge and an allocation to gold is an ideal way to achieve a diversified portfolio due to its low to negative correlation with other mainstream assets (historical correlation on weekly returns for five years ending March 2010 of -0.2 to +0.4). Gold is one of the limited ways in which Indian investors can diversify their currency exposure. This is because the Rupee is not yet fully convertible and Indians are only allowed to hold financial assets in Rupees. In terms of Indian gold ETF investment, holdings remain small but have shown strong growth momentum in recent years, although some of the ETFs are permitted to invest in other gold assets as well as physical bullion. Total holdings amounted to 9.4 tonnes by the end of April 2010, up 132% from February 2008 from 4.03 tonnes. Although it is too early to tell whether holdings are 'sticky' or longer term in nature, historic figures indicate that price

Chart 6: Gold price (Rs/oz) and gold demand in India (tonnes)



Note: Rs= Indian rupee. Figures exclude Bank of India's purchasing
Source: the WGC, GFMS, IHS Global Insight

Chart 7: Households by income distribution (Mn, Real 2005 US PPP dollars)



Source: IHS Global Insight (2010-2015 income figures are IHS Global Insight projections)

corrections have not triggered significant redemptions, but in fact have encouraged investors to increase their holdings further.

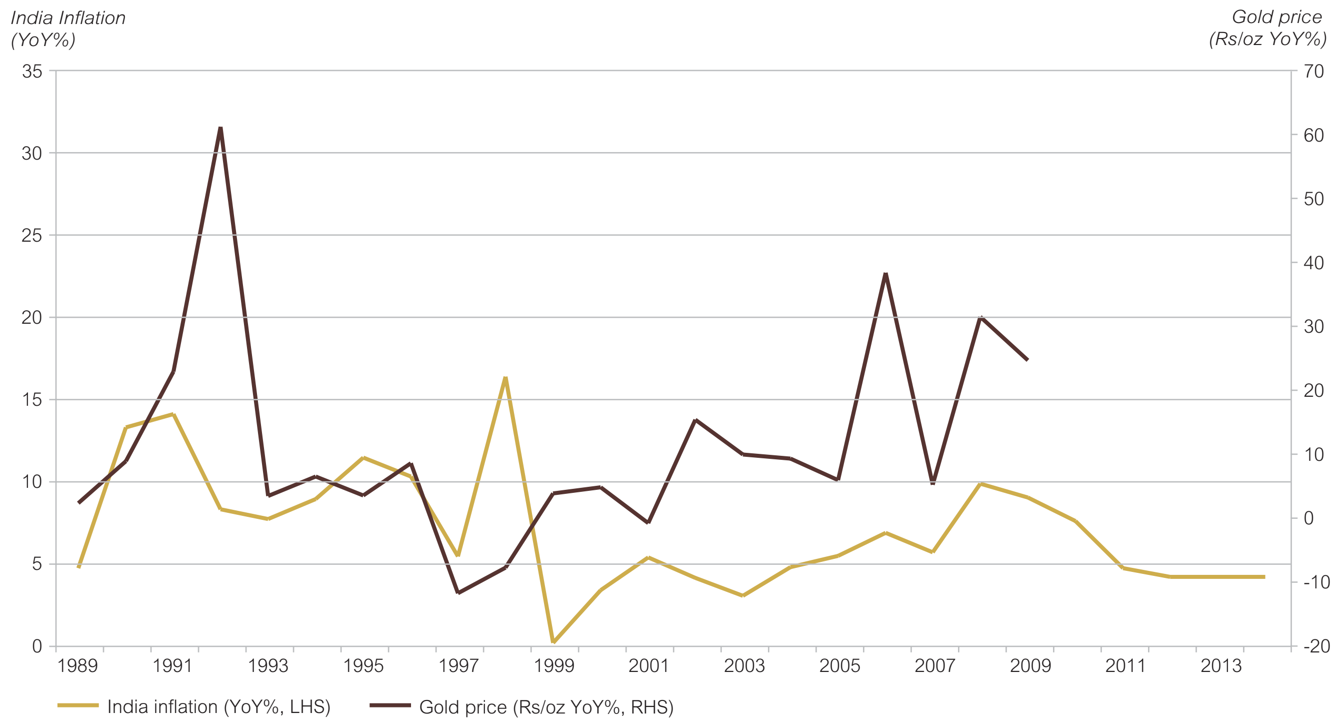
The WGC believes that Indian investors may continue to move into gold as an insurance policy to protect their wealth from the aftermath of the global financial crisis since there are few assets that have the ability to hold their value during extreme conditions. Over the medium term, even as economic conditions improve, uncertainty is likely to remain high; not just economic uncertainty, but also currency- and inflation-related uncertainty. That uncertainty is expected to be favourable for gold.

In addition, India's gold demand has an underlying seasonality, which could boost tonnage off take during the year. The Hindu calendar is marked by a series of religious festivals and auspicious occasions for buying gold, which includes Akshaya Tritiya (May) and Diwali, the festival of lights (November).

Notably, the impact of the gold price and volatility in the gold price can cloud the seasonal picture of Indian gold demand. In the past, Indian consumers have typically been reluctant to purchase gold when the price was volatile for fear that they buy and then find the price falls.

Buying gold jewellery during the Akshaya Tritiya festival in India

Chart 8: Gold price (Rs/oz) and Indian inflation



Note: Rs= Indian Rupee. Figures exclude Bank of India's purchasing and jewellery data in this chart refers to consumption not fabrication
Source: WGC, GFMS, IHS Global insight

However, this relationship between demand and price volatility has weakened as the gold price has reached unprecedented levels. The experience of recent years suggests that the gold price has reached levels at which the absolute price is of increasing importance to budget-constrained Indian consumers.

Recent developments in the reserves asset management in India have seen the Reserve Bank of India (RBI) lending support to the positive view of gold among Indian consumers after the bank purchased 200 tonnes from the IMF in a ground-breaking off-market transaction. The IMF had offered 403.3 tonnes of gold for sale to other members of the official sector community and the RBI was the first institution to take up the offer, buying almost half of the entire amount for sale.

The RBI's action could have fuelled the perception among Indian consumers that gold is reliable and may have helped to reinforce the belief that prices are well supported and, as a result, may underpin positive sentiment towards gold. Gold accounted for 6.9% of RBI's total reserves as at the end of January 2010, ranking RBI the 11th largest holder in the world with 557.7 tonnes.[4] Gold as a percentage of total reserves is now above the low of 3.4% in Q2 2008, although still below the recent recorded peak of 8.8% in Q2 2000. For gold holdings to return to this level, the RBI would need to purchase around 70 tonnes at today's gold price. The WGC believes that with ongoing uncertainties surrounding the US dollar and the Euro, the search for alternative international asset choices within the central bank sector should clearly involve consideration of gold.

Domestic production of gold in India is very low; less than 1% of global mine output in 2009. Being the largest consumer of gold jewellery, India therefore largely depends on imported gold and scrap for its supply. The only primary gold mine producer in the country is the stated-owned Hutti Gold Mines Company Limited (HGML), which extracts around 3.5 tonnes of gold per annum. In January 2010, HGML announced that it has sought the Karnataka government approval for setting up a joint venture company for the exploration and mining of gold and other precious metals in new areas in the state.[5]

[4] *IMF (World official gold holdings as at the end of January 2010, May 2010 Report)*
[5] *Business Standard, 8 January, 2010*

The company has also finalised a Rs352 crore expansion plan, which includes installation of a new shaft to be completed in four years.

The outlook for recycled gold over the remainder of 2010 is uncertain, resting on the price level and price expectations as well as global economic conditions. However, the WGC believes that local consumers are currently resisting recycling gold because their perception has changed – at today's spot price, they no longer think that if they sell it now they can buy it back at a cheaper price in the future.

Conclusion on the India gold market

The WGC expects that gold demand in India will remain robust in 2010. The Indian economy is projected to grow at 8.4% in the 2010-11 financial year and the monsoon rains are expected to be normal this year.[6] The rupee has been strengthening against the US dollar and market sentiment remains on the upside for the Rupee in spite of the recent dollar strength. These factors will help fuel the increase in the Indian gold demand, especially the growth of discretionary spending in the jewellery sector.

India's central bank has also been providing a supportive role on the demand side. Indian consumers' price expectations were strengthened by the RBI's purchase of 200 tonnes of gold from the IMF in November 2009 at a transaction price of approximately Rs54,621/oz (or US$1,174). This news reinforced the perception among Indian consumers that gold is reliable and safe as a monetary asset and underpinned sentiment towards gold for the remainder of the year.

According to local media news reports, 2010 Indian gold imports could improve on 2009 level.[7] Further improvement in Q2 could be expected with the advent of the Akshaya Tritiya festival and the summer wedding season. The recent Annual Budget announcement has also attempted to increase the disposable income of middle class salaried consumers by providing some tax breaks,[8] which in turn could help fuel spending in gold jewellery and investment. According to the International Monetary Fund (IMF) forecast, India's real GDP growth will remain in excess of 6% from 2010-14, an enviable rate of growth in comparison with most other economies.[9]

Since 2001, the gold price in local currency has increased in line with India's M3, the broad measurement of money supply. At the end of March 2010, India's M3 rose 17% year-on-year (or 3% month-on-month) on the back of strong fixed asset investments. The recovery in the employment scenario in the Gulf Region, coupled with the increase in the Non-Resident Indian (NRI) fund flow in to India as reported by Banks, point to a positive outlook for the next 6-9 months.[10]

In recent weeks, the gold price has risen by 12% from Rs50,097/oz at the end of March 2010 to Rs56,032/oz – close to the record high of Rs56,052/oz from early December 2009. Time will tell whether this return to a higher gold price impacts consumer demand. The near double-digit inflation levels and higher gold price, with its related volatility, could prove to be a dampener. Indian consumers, stimulated by the higher price, may take the opportunity to recycle old gold or dishoard for cash, and will likely be encouraged to exchange old jewellery for new pieces. However, the RBI has been taking steps to firm up interest rates in order to rein in inflation, while a resumption of the rupee's strengthening trend would insulate Indian consumers against further rises in the US$ gold price.

The WGC believes that the ongoing strengthening in the local gold price will help establish a higher floor price in the market than was the case in the past and thus increase price expectations among domestic consumers. Given the rebound in gold demand and higher price expectations, the WGC expects a positive outlook for the Indian gold market for 2010.

[6] *The Economic Times, 19 March 2010*
[7] *Bloomberg, 29 March 2010*
[8] *The Government of India (http://indiabudget.nic.in); The Times of India, 26 February 2010*
[9] *IMF (World Economic Outlook, October 2009)*
[10] *The Economic Times, 22 March 2010*

Global gold market – First quarter 2010 review

The volume of total identifiable gold demand in Q1 2010 was down 25% on Q1 2009 levels at 760.2 tonnes. In US$ value terms, the decline was a more moderate 9%.

The US$ gold price averaged $1,109.12/oz in the first quarter, up 22% on $908.41 in Q1 2009. Over the same period the gold price rose 12% in Indian rupee terms, 11% in Turkish lira terms, 15% in euro terms and 18% in Japanese Yen terms. Compared with Q4 2009, the rise in the US$ was a marginal 1%.

A comparison of Q1 2010 demand against Q1 2009 shows that growth was concentrated in the jewellery (+43%) and industrial (+31%) sectors, while identifiable investment declined 69% relative to an exceptionally strong Q1 2009.

India was the strongest performing market, in both the jewellery and net retail investment sectors. Partly, this was a reflection of the sheer extent of the weakness in that market in the first quarter of 2009, but also represented an increased acceptance among Indian consumers of higher gold prices.

Global jewellery demand recovered strongly in Q1, to 470.7, tonnes from very weak year-earlier levels. The majority of this rise was the result of a very strong recovery in India. Substantial growth was also seen in the Middle East, Hong Kong and Russia, as well as in some of the smaller South East Asian markets. By contrast, the western markets were unanimously weaker as high gold prices and continued economic weakness suppressed demand.

Industrial and dental demand was up 31% at 103.2 tonnes, driven by solid recovery in the electronics (+40%) and 'other industrial' (+27%) sectors. In the high gold price environment, dental demand continued to suffer from increasing substitution to lower-cost alternatives and, consequently, off-take in this segment slipped 1%.

Identifiable investment demand was the only sector on the demand side to record a decline in growth from year-earlier levels, from 609.5 tonnes in Q1 2009 to 186.3 tonnes in Q1 2010. However, this partly reflects the exceptional levels of investment seen in Q1 2009. Average first quarter identifiable investment for the period Q1 2004 – Q1 2008 is 168.6 tonnes. Compared with this average, first quarter identifiable investment demand was up 11%.

The individual component making the greatest contribution to the decline in identifiable investment was ETF demand, which declined 99% to 3.8 tonnes in Q1 2010. While this is unquestionably a very weak quarter for ETF demand, the extent of the decline Q1 2009 levels is also a reflection of the record high levels of investment witnessed during that quarter.

Bar hoarding, which largely covers the non-western markets, swung from disinvestment of 28.1 tonnes in Q1 2009 to positive investment of 89.7 tonnes in Q1 2010. The recovery in Indian investment demand was the main driver behind the turnaround in this segment of the market, although a number of other countries also reported robust growth.

In contrast, the 'other identified retail investment' category, which largely covers the western markets, declined by 74% to 25.6 tonnes. Notwithstanding the sharp decline compared to the extraordinary Q1 2009 levels, demand of this magnitude is still well above historical norms; average first quarter demand from Q1 2004 – Q1 2008 was just 1.5 tonnes.

Inferred investment, which captures the less visible part of investment demand, as well as incorporating some residual error, totalled 163 tonnes in the first quarter compared to 217.8 tonnes in the year-earlier period.

First quarter gold supply of 949.0 tonnes was down 24% on year-earlier levels. The largest contributors to the contraction in supply were sharp declines in the supply of recycled gold and in the volume of official sector sales. In terms of total mine supply, a 19 tonne increase in producer de-hedging almost offset a 27 tonne increase in mine production, resulting in a 1% increase in first quarter mine supply compared with Q1 2009.

Global jewellery demand

Global jewellery demand recovered strongly in the first quarter compared with weak year-earlier levels, rising 43% to 470.7 tonnes. Expressed in US$ value terms, jewellery demand totalled $16.8bn, 75% higher than in Q1 2009.

With the exception of Japan, the growth was driven exclusively by non-western markets, where consumers appeared to have adjusted their price expectations in the face of a 22% rise in the US$ gold price since the first quarter of 2009 (comparing average quarterly prices from Q1 2009 and Q1 2010). The anticipation of higher future gold prices therefore encouraged consumers in these markets to make gold jewellery purchases during the first quarter as the price corrected back from the December peak. Additionally, further signs of a return to strength were witnessed in economies such as India and China, which provided a more supportive backdrop for consumers.

The strongest performing market over the period was India, where demand rocketed 291% to 147.5 tonnes, although the comparison is with a very low base of just 37.7 tonnes in Q1 2009. Excluding India from the total gives a somewhat different picture, with jewellery demand up a more modest 11%, from 291.6 tonnes to 323.3 tonnes. The local currency value of first quarter Indian jewellery demand, at Rs241bn, was 339% higher than Q1 2009, surpassing the previous record of Rs237bn from Q3 2008, a period when demand was boosted by a sharp drop in the gold price and good monsoon rainfall. Although Q1 is not the main wedding season, consumers were encouraged to make early wedding-related purchases in order to take advantage of the relatively low, stable prices that prevailed during the quarter. Average local prices were slightly lower in the first quarter than in the previous quarter, due to a combination of relatively stable international prices and a 4% strengthening in the rupee against the US dollar.

Among the other strongest performers were the UAE (+29%), Saudi Arabia (+25%), Hong Kong (+23%) and Vietnam (+20%). Double-digit gains were widespread across non-western markets; only Indonesia (+6%) and Taiwan (+2%) recorded gains of less than 10%.

Chinese jewellery off-take increased by 11% to breach the 100-tonne mark, reaching 105.2 tonnes as demand was lifted by the Chinese New Year holiday – a peak gifting season – and strong domestic economic growth. Jewellery consumers also responded as the price fell back from the early December peak above RMB8,000/oz. The increase in demand was concentrated in the pure, 24 carat gold segment of the market, particularly – although not exclusively – in the major cities, where demand for 18 carat K-gold slipped somewhat as winter is the low season for 18K gold jewellery. However, demand for 18 carat K-gold was seen increasing in the second and third tier markets.

Japan was the only non-western jewellery market to see a decline from Q1 2009. Consumer demand for gold jewellery slipped 12% to 4.9 tonnes. In local currency terms, this equated to a 3% increase from ¥15.3bn to ¥15.8bn.

Increased tourist numbers in Dubai, particularly from the Indian subcontinent, supported gold demand in the UAE, which rose to 18.9 tonnes in the first quarter from 14.6 tonnes a year earlier. Demand was further supported by improved consumer confidence and greater acceptance of higher prices among resident consumers. Turkey witnessed a 12% rise in demand to 18.4 tonnes, representing a sharp rise on the previous quarter. In local currency terms, the value of gold demand was 24% higher than Q1 2009, at YTL992mn, the highest first quarter value since Q1 2005.

In the western markets, jewellery off-take declined again as higher prices encouraged a switch to alternative products. Although some retailers in the US reported some gains in US$ sales, consumers remained constrained by high gold prices, which encouraged a shift to combined gold/silver product. Similar trends were seen in the European markets, for example in France, Germany and the UK, where sterling silver jewellery was the main beneficiary of higher gold prices. Italian consumers continue to substitute gold with high-designed silver or costume jewellery alternatives.

Industrial and dental demand

Industrial and dental demand staged a strong recovery from the very depressed levels of Q1 2009, gaining 31% to 103.2 tonnes, almost on a par with the 103.3 tonnes seen the previous quarter. The strength largely came from the electronics sector, where off-take surged 40% to 69.9 tonnes as economies began to emerge from recession and consumers seemed more willing to spend on discretionary items such as laptops and mobile phones. Japan led the way with a near 60% recovery, while electronics demand from the United States recorded a 50% year-on-year rise as the industry there rebounded from recession. Elsewhere, almost every market recorded healthy double-digit growth on rising optimism of a more robust global economy.

A 27% rise in demand from the other industrial and decorative segment was largely driven by an improving economic outlook, coupled with a greater level of price acceptance. Total off-take for the quarter reached 20.3 tonnes, again dominated by demand from India, which almost tripled from the corresponding period in 2009. A stronger rupee this year and a greater acceptance of gold at above $1,100/oz have been partly responsible for the recovery. An increase in the use of gold potassium cyanide (GPC) for plating imitation jewellery has also contributed to the hefty rise, while the economic recovery in 2010 (albeit modest in some regions) has facilitated a rise in demand for plating salts used in luxury goods production and carat jewellery plating.

Finally, gold used in dental applications continued its secular downwards trend in the first quarter, slipping 1% from Q1 2009 to a new record low of 13.0 tonnes. Substitution to lower cost and cosmetically pleasing alternatives (such as base metal alloys and ceramics, respectively), was chiefly responsible for the year-on-year decline.

Investment

Identifiable investment demand, of 186.3 tonnes, dropped 69% in the first quarter relative to year-earlier levels. The decline was largely the result of a sharp fall in ETF demand from a record level of 465.1 tonnes in Q1 2009, to just 3.8 tonnes in Q1 2010. However, the comparison is exaggerated by the fact that Q1 2009 was a remarkably strong quarter for investment, a time when western investors in particular flooded into ETFs as they searched for a safe haven to protect wealth following the collapse of Lehman Brothers and the onset of the global economic downturn. Nevertheless, first quarter ETF demand was low by historical comparison. This reflected a temporary easing in the level of concern among investors surrounding financial market stability, as well as the emerging economic recovery.

Net retail investment, which covers global retail bar and coin demand, was 26% up on Q1 2009 levels, at 182.5 tonnes, equivalent to a rise of 54% in US$ value terms to $6.5bn. As with jewellery demand, net retail investment was broadly characterised by a western/non-western split, although there were a few exceptions to the general rise in demand across the non-western markets.

Net retail investment across the western markets was considerably weaker than year-earlier levels. However, this is partly a reflection of the sheer strength of Q1 2009 investment off-take in these markets, when economic and financial market turmoil drove retail investment demand to unprecedented levels. Despite the weak comparison with year-earlier levels, absolute levels of demand in Europe and the US remain well above historical averages and the decline in investment off-take was not a reflection of profit-taking, but of softer demand. This easing in retail investor demand was a reaction to the less precarious economic/financial environment that prevailed in the first quarter compared with the same period in 2009.

Among the non-western markets, the strongest performer was India where retail investment demand swung from net dishoarding of 13.5 tonnes in Q1 2009 to positive demand of 46.0 tonnes in Q1 2010. However, given the exceptional circumstances of Q1 2009, it may be more meaningful to compare the Q1 2010 investment figure with a more 'typical' first quarter. The average level of Q1 demand for the period from Q1 2005 – Q1 2008 is 42.4 tonnes. When compared with this average, Q1 2010 demand of 46.0 tonnes shows a moderate rise, up 9%. The quarter-on-quarter change in investment shows a decline of 29%, which was mainly price-related. After correcting back from the early December highs above Rs18,000/10g (approx. Rs56,000/oz), prices have remained well below this level, and buying interest among investors was reported on dips in the price below Rs16,000/10g. In particular, large investors in gold bars are reportedly looking for lower prices before considering adding to their holdings.

In the Greater China region, retail investment demand in mainland China of 26.8 tonnes was 57% above Q1 2009 levels. Strong economic growth has fuelled fears of inflation and this, combined with a dip in the local gold price, prompted a surge in demand for investment products. In addition, interest in gold investment products has been stimulated by the launch of more commemorative gold bars for the year of Tiger and by a view among investors that the gold price is likely to rise further. This shift towards a more long-term buy-and-hold strategy among gold investors resulted in less profit-taking on price rises during the quarter. Net investment demand in Taiwan was flat as fresh purchases of physical product were cancelled out by profit-taking. Nonetheless, it signified a recovery from Q1 2009's 3.6 tonnes of dishoarding. Bar hoarding in Hong Kong remained negligible – marginally above Q1 2009 at 0.3 tonnes.

Thailand witnessed a significant turnaround in investment off-take, with retail investors demanding 15.5 tonnes of physical gold in the first quarter, compared with dishoarding of 19.9 tonnes in the same period last year. This swing in demand was driven by speculators expecting still higher prices.

Japan was again among the exceptions in Asia. Selling back amounted to 12.0 tonne in the first quarter, well above the 1.0 tonne of disinvestment seen in Q1 2009, as local prices breached levels that traditionally trigger profit-taking among retail investors.

Middle Eastern markets were mixed, with Saudi Arabian retail investment demand more than doubling from year-earlier levels, while Egyptian demand slipped 22%. Nevertheless, the absolute levels of demand in these markets remained small, at 3.5 tonnes and 0.25 tonnes respectively.

Turkish first quarter retail investment demand recovered to 8.5 tonnes, more than double the 4.2 tonnes from Q1 2009. However, this is well below historical norms; average first quarter demand for the period Q1 2004 – Q1 2008 is 16.3 tonnes. Interest was concentrated on 22 carat coins, mainly for gift-giving purposes rather than for investment holdings.

The "inferred investment" category, which is the balancing item in the supply and demand table, experienced another quarter of net inflows. While this category is partly an error term, its more important role is to capture the less visible part of investment demand. This item totalled 163 tonnes in Q1, 15% above the 142.3 tonne inflow seen in the fourth quarter, but 25% below the 217.8 tonne inflow of Q1 2009. Allocated bullion accounts continued to account for a sizeable portion of this category in the first quarter, having increased steadily in prominence since late 2008.

Supply

Turning to supply, first quarter data show a 24% decline in total gold supply, to 949 tonnes from 1,250 tonnes in Q1 2009. A significant slowdown in recycling activity from record year-earlier levels combined with subdued sales from the official sector kept a lid on supply, which was further constrained by producer de-hedging activity. Mine production was the only element of supply to register an increase over Q1 2009.

Mine production of 611 tonnes was 5% above year-earlier levels, although 9% below the previous quarter, as increased production at a number of mines was outweighed by reductions elsewhere. Notably, there were significant reductions in large-scale operations, including Indonesia's Grasberg (-25%), which reflected lower gold ore grades resulting from mine sequencing. In the US, Goldstrike registered a drop in production as mine sequencing resulted in the processing of lower grade material. Production also declined at Newmont's Nevada mine due to reductions in grade, throughput and recovery. In Russia, production growth at Kupol levelled off as the operation entered its second calendar year.

Production growth was concentrated in Latin America and Africa. In Latin America, an increase in production at Barrick's Valedero mine reflected mining of higher grades and the positive impact of the crusher expansion which reached full capacity of 85,000 tons per day in March. In Africa, Sabodala in Senegal increased production following its start up last year. Tanzania's Buzwagi also made a contribution to the increase in African production. The mine started commercial production in May 2009 and therefore showed a positive comparison with Q1 2009. Production in Ghana also registered a solid gain, the result of increases across a number of operations.

Production in China also increased, although the rate of growth slowed notably as production was hampered by harsh weather during the first quarter.

Producer de-hedging slowed sharply from the previous quarter to minor levels (-20 tonnes), although this was above the levels of Q1 2009, a quarter in which de-hedging was virtually non-existent. Anglogold Ashanti continues to reduce its hedge book and has stated its intention to accelerate the closure of its hedge positions. The company took 350,000 ounces out of the hedge book in Q1, leaving outstanding forward sales of 3.55mn ounces at end March, and plans to cut the hedge book by a further 280,000 ounces by year-end The outstanding global hedge book stands at around 200 tonnes, of which Anglogold Ashanti accounts for a significant percentage, and fresh hedging activity remains very limited.

The official sector reversed the trend of the previous three quarters to become a net seller once again. However, Q1 net sales of 15 tonnes were very modest in comparison with historical averages. The IMF was the main contributor, with sales of 24.1 tonnes during the course of the quarter falling well within the limits of the Central Bank Gold Agreement (CBGA). The Fund remains committed to its aim of ensuring that its sales are not disruptive to the gold market. Sales among other CBGA signatories were non-existent, while outside of the agreement, net purchases were concentrated in Russia, where the central bank continued its programme of steady accumulation.

Recycling activity fell sharply in comparison with the record levels set in Q1 2009, dropping 43% to 343 tonnes. This was largely a reflection of higher price expectations across a number of key markets, particularly India, where consumers are content to wait until the anticipated higher prices materialise before selling-back their old gold. Recycling activity is also being subdued by the lack of near-market supplies of old gold, after the surge in selling-back during 2009 cleared out much of the gold holdings that were available for these purposes.

The picture is slightly different in the western markets, where recycling activity continues to increase steadily as prices rise and awareness of the potential for recycling increases among consumers.

An improvement in the GFMS data sources for consumer demand in both India and Taiwan has resulted in a revision to the back series of data for these countries.

Additional data becoming available on Indian imports of gold has led to a considerable revision to the numbers for 2009 demand in India. This reflects similar changes to GFMS' own data as reported in their annual Gold Survey. The largest change has been to the net retail investment number, which has been revised from 74.2 tonnes to 136.1 tonnes for 2009 as a whole. Notwithstanding these revisions, 2009 Indian consumer demand was the weakest since 2003, reflecting the particularly difficult circumstances (record high prices combined with global economic turmoil) that prevailed during the year.

In Taiwan, the main revision was in the net retail investment sector, where fresh evidence suggests that selling back of gold investment products outweighed new bar and coin purchases in 2009. The result is that Taiwan's data series now shows negative investment of 11.1 tonnes for 2009.

Gold demand statistics

Demand

Table 1: Identifiable gold demand[1] (tonnes)

	2007	2008	2009	Q1'09	Q2'09	Q3'09	Q4'09	Q1'10[2]	% Ch Q1'10vs Q1'09	% Ch Year on Year[3]
Jewellery consumption	2,417.5	2,193.0	1,758.9	329.3	430.7	487.5	511.3	470.7	43	-8
Industrial and dental	464.7	439.4	373.4	79.0	93.7	97.3	103.3	103.2	31	-1
Electronics	310.8	292.9	246.4	49.9	60.2	66.3	70.1	69.9	40	2
Other industrial	96.1	90.5	73.9	16.0	20.2	17.8	19.9	20.3	27	-7
Dentistry	57.8	56.0	53.1	13.1	13.3	13.3	13.3	13.0	-1	-3
Identifiable investment	687.3	1,179.0	1,323.2	609.5	245.5	229.8	238.4	186.3	-69	-44
Net retail investment	434.0	858.1	706.1	144.4	188.8	188.4	184.4	182.5	26	-18
Bar hoarding	236.5	385.7	186.8	-28.1	70.8	85.6	58.6	89.7	...	-1
Official coins	134.6	187.3	228.5	69.4	56.0	48.9	54.2	50.0	-28	-8
Medals/imitation coins	72.6	69.6	56.6	3.9	13.8	17.7	21.2	17.2	339	11
Other identified retail invest.[4]	-9.7	215.4	234.2	99.2	48.2	36.2	50.5	25.6	-74	-47
ETFs and similar products[5]	253.3	320.9	617.1	465.1	56.7	41.4	54.0	3.8	-99	-78
Total Identifiable Demand	3569.5	3,811.4	3,455.4	1,017.7	770.0	814.7	853.0	760.2	-25	-22
London PM fix, US$/oz	695.39	871.96	972.35	908.41	922.18	960.00	1,099.63	1,109.12	22	18

Source: GFMS. 1. Identifiable end-use consumption excluding central banks. 2. Provisional. 3. Percentage change, 12 months ended March 2010 vs 12 months ended March 2009. 4. "Other retail" excludes primary coin off-take; it represents mainly activity in North America and Western Europe. 5. Exchange Traded Funds and similar products including: Gold Bullion Securities (London), Gold Bullion Securities (Australia), SPDR® Gold Shares (formerly streetTRACKS Gold Shares), NewGold Gold Debentures, iShares Comex Gold Trust, ZKB Gold ETF, GOLDIST, ETF Securities Physical Gold, XETRA-GOLD, Julius Baer Physical Gold, Central Fund of Canada, and Central Gold Trust.

Table 2: Identifiable gold demand[1] (US$mn)

	2007	2008	2009	Q1'09	Q2'09	Q3'09	Q4'09	Q1'10[2]	% Ch Q1'10vs Q1'09	% Ch Year on Year[3]
Jewellery consumption	53,990	61,288	55,512	9,618	12,771	15,047	18,076	16,786	75	9
Industrial and dental	10,375	12,383	11,744	2,306	2,779	3,005	3,653	3,679	60	17
Electronics	6,942	8,275	7,763	1,456	1,784	2,045	2,478	2,491	71	20
Other industrial	2,142	2,538	2,319	466	600	549	704	724	55	10
Dentistry	1,292	1,570	1,661	384	395	410	472	464	21	14
Identifiable investment	15,325	32,378	40,600	17,800	7,279	7,094	8,427	6,642	-63	-35
Net retail investment	9,547	23,493	22,151	4,217	5,598	5,816	6,520	6,507	54	-1
Bar hoarding	5,176	10,676	5,988	-822	2,099	2,641	2,070	3,198	...	19
Official coins	2,965	5,172	7,114	2,026	1,661	1,511	1,915	1,782	-12	8
Medals/Imitation coins	1,585	1,933	1,817	114	409	546	748	613	436	34
Other identified retail invest.[4]	-180	5,711	7,232	2,898	1,429	1,118	1,787	913	-68	-37
ETFs and similar products[5]	5,778	8,885	18,448	13,582	1,681	1,278	1,907	135	-99	-75
Total identifiable demand	79,690	106,049	107,856	29,724	22,829	25,146	30,157	27,107	-9	-8

Source: WGC calculations based on data from GFMS. 1. Identifiable end-use consumption excluding central banks. 2. Provisional. 3. Percentage change, 12 months ended March 2010 vs 12 months ended March 2010. 4. "Other retail" excludes primary coin off-take; it represents mainly activity in North America and Western Europe. 5. Exchange Traded Funds and similar products including: Gold Bullion Securities (London), Gold Bullion Securities (Australia), SPDR® Gold Shares, NewGold Gold Debentures, iShares Comex Gold Trust, ZKB Gold ETF, GOLDIST, ETF Securities Physical Gold, XETRA-GOLD, Julius Baer Physical Gold, Central Fund of Canada, and Central Gold Trust.

Table 3: Investment demand (tonnes except where specified)

	2007	2008	2009	Q1'09	Q2'09	Q3'09	Q4'09	Q1'10[1]	% Ch Q1'10vs Q1'09	% Ch Year on Year[2]
Identifiable investment	687.3	1,179.0	1,323.2	609.5	245.5	229.8	238.4	186.3	-69	-44
Net retail investment	434.0	858.1	676.2	144.4	188.8	188.4	184.4	182.5	26	-18
Bar hoarding	236.5	385.7	169.9	-28.1	70.8	85.6	58.6	89.7	...	-1
Official coin	134.6	187.3	234.4	69.4	56.0	48.9	54.2	50.0	-28	-8
Medals/Imitation coin	72.6	69.6	35.8	3.9	13.8	17.7	21.2	17.2	339	11
Other identified retail invest.[3]	-9.7	215.4	236.2	99.2	48.2	36.2	50.5	25.6	-74	-47
ETFs and similar products[4]	253.3	320.9	594.7	465.1	56.7	41.4	54.0	3.8	-99	-78
"Inferred investment"[5]	-75.0	-206.2	570.5	217.8	184.3	26.1	142.3	163.1	-25	...
"Total" investment	612.3	972.8	1,893.6	827.3	429.8	255.9	380.7	349.4	-58	-7
"Total" investment, US$mn	14,447	32,378	58,260	24,162	12,742	7,898	13,458	12,459	-48	9

Source: GFMS. Data in this table are consistent with those published by GFMS but adapted to WGC's presentation and take account of the additional demand data now available. The "inferred investment" figure differs from the "implied net (dis)investment" figure in GFMS' supply and demand table as it excludes "ETFs and similar" and "other retail investment". 1. Provisional. 2. Percentage change, 12 months ended March 2010 vs 12 months ended march 2009. 3. "Other retail" excludes primary coin off-take; it represents mainly activity in North America and Western Europe. 4. Exchange Traded Funds and similar products including: Gold Bullion Securities, (London), Gold Bullion Securities (Australia), SPDR® Gold Shares (formerly streetTRACKS Gold Shares), NewGold Gold Debentures, iShares Comex Gold Trust, ZKB Gold ETF, GOLDIST, ETF Securities Physical Gold, XETRA-GOLD, Julius Baer Physical Gold, Central Fund of Canada, and Central Gold Trust. 5. This is the residual from combining all the other data in the table. It includes institutional investment other than ETFs & similar, stock movements and other elements as well as any residual error. In previous editions of GDT it was referred to as the "balance".

Supply

Table 4: Gold supply and demand (WGC presentation)
Note: Jewellery data in this table refer to fabrication not consumption and quarterly data differ from the data in Tables 1 and 2.

	2007	2008	2009	Q1'09	Q2'09	Q3'09	Q4'09	Q1'10[1]	% Ch Q1'10vs Q1'09	% Ch Year on Year[2]
Supply										
Mine production	2,473	2,409	2,570	584	635	677	673	611	5	6
Net producer hedging	-444	-352	-254	-1	-31	-97	-125	-20	...	...
Total mine supply	2,029	2,057	2,316	583	604	580	549	591	1	4
Official sector sales[3]	484	232	41	63	-5	-13	-4	15	-76	...
Recycled gold	982	1,316	1,668	604	366	296	402	343	-43	-8
Total supply	3,494	3,605	4,026	1,250	965	863	947	949	-24	-7
Demand										
Fabrication										
Jewellery	2,417	2,193	1,759	344	442	510	463	497	44	-7
Industrial and dental	465	439	373	79	94	97	103	103	31	-1
Sub-total abovefabrication	2,882	2,632	2,132	423	535	608	566	600	42	-6
Bar and coin retail investment[4]	444	643	472	45	141	152	134	157	247	-3
Other retail investment	-10	215	234	99	48	36	51	26	-74	-47
ETFs and similar	253	321	617	465	57	41	54	4	-99	-78
Total demand	3,569	3,811	3,455	1,032	781	837	805	786	-24	-21
"Inferred investment"[5]	-75	-206	570	218	184	26	142	163	-25	...
London PM fix (US$/oz)	695.39	871.96	972.35	908.41	922.18	960.00	1,099.63	1,109.12	22	18

Source: GFMS. Data in this table are consistent with those published by GFMS but adapted to the WGC's presentation and take account of the additional demand data now available. The "inferred investment" figure differs from the "implied net (dis)investment" figure in GFMS' supply and demand table as it excludes "ETFs and similar" and "other retail investment". 1. Provisional. 2. Percentage change, 12 months ended March 2010 vs 12 months ended March 2009. 3. Excluding any delta hedging of central bank options. 4. Equal to net retail investment from Table 1 less the 'other identified retail investment' category. 5. This is the residual from combining all the other data in the table. It includes institutional investment other than ETFs & similar, stock movements and other elements as well as any residual error. In previous editions of GDT it was referred to as the "balance".

Consumer demand[1] trends in individual countries

Table 5: Consumer demand in selected countries: Q1 2010 (tonnes)

	Q1 2009			Q1 2010[1]			% Ch Q1 2010 vs Q1 2009		
	Jewellery	Net retail invest.	Total	Jewellery	Net retail invest.	Total	Jewellery	Net retail invest.	Total
India	37.7	-13.5	24.2	147.5	46.0	193.5	291	...	698
Greater China	101.0	13.7	114.7	112.7	27.1	139.7	12	98	22
China	94.6	17.0	111.6	105.2	26.8	132.0	11	57	18
Hong Kong	4.4	0.2	4.7	5.5	0.3	5.7	23	4	22
Taiwan	2.0	-3.6	-1.6	2.0	0.0	2.0	2	...	...
Japan	5.6	-1.0	4.6	4.9	-12.0	-7.1	-12	...	...
Indonesia	9.4	-3.0	6.4	10.0	2.1	12.1	6	...	88
South Korea	4.4	0.0	4.4	5.2	-1.1	4.1	17	...	-7
Thailand	2.2	-19.9	-17.7	2.5	15.5	18.1	15	...	...
Vietnam	4.3	10.4	14.7	5.1	14.1	19.2	20	36	31
Middle East	48.5	4.4	52.9	59.5	6.4	65.8	23	46	24
Saudi Arabia	14.0	1.6	15.6	17.6	3.5	21.1	25	119	35
Egypt	14.9	0.3	15.2	17.3	0.3	17.6	16	-22	15
UAE	14.6	2.0	16.6	18.9	2.1	21.0	29	5	27
Other Gulf	5.0	0.4	5.5	5.7	0.5	6.2	13	16	14
Turkey	16.5	4.2	20.7	18.4	8.5	26.9	12	104	30
Russia[2]	13.0	...	13.0	15.5	...	15.5	19	...	19
USA	27.8	31.7	59.5	25.6	15.1	40.7	-8	-52	-32
Italy[2]	6.0	...	6.0	5.8	...	5.8	-4	...	-4
UK[2]	4.0	...	4.0	3.8	...	3.8	-6	..	-6
Europe ex CIS[3]	...	122.1	122.1	...	38.6	38.6	...	-68	-68
France	...	1.2	1.2	...	0.2	0.2	...	-87	-87
Germany	...	59.0	59.0	...	17.6	17.6	...	-70	-70
Switzerland	...	39.2	39.2	...	13.0	13.0	...	-67	-67
Other Europe	...	22.7	22.7	...	7.8	7.8	...	-66	-66
Total above	280.5	149.1	429.6	416.3	160.3	576.6	48	8	34
Other	48.8	-4.7	44.2	54.4	22.2	76.6	11	...	73
World total	329.3	144.4	473.7	470.7	182.5	653.2	43	26	38

Source: GFMS. 1. Provisional. 2. Jewellery only. 3. Net retail investment only.

Table 6: Indian supply estimates						
Figures in tonnes	**Q1'09**	**Q2'09**	**Q3'09**	**Q4'09**	**Q1'10**	**2009**
Supply						
Net imports, available for domestic consumption	20	159	176	204	188	559
Domestic supply from recycled gold	54	23	18	16	14	111
Domestic supply from other sources[1]	-29	-2	3	3	3	-25
Equals total supply available for fabrication	45	180	197	223	205	645
Net imports of finished jewellery and inventory change	1	-10	-12	-11	-7	-32
Supply available for end use consumption[2]	46	170	185	212	198	612

Source: GFMS. 1. Domestic supply from local mine production, recovery from imported copper concentrates and disinvestment. 2. This supply can be consumed across the three sectors - jewellery, investment and industrial. Consequently, the total supply figure in the table will not add to jewellery plus net retail investment demand for India.

Table 7: Consumer demand in selected countries: Q1 2010 (value, US$mn)									
	Q1 2009			**Q1 2010[1]**			**% Ch Q1 2010 vs Q1 2009**		
	Jewellery	**Net retail invest.**	**Total**	**Jewellery**	**Net retail invest.**	**Total**	**Jewellery**	**Net retail invest.**	**Total**
India	1,102	-394	708	5,258	1,640	6,899	377	...	874
Greater China	2,950	400	3,350	4,018	965	4,983	36	141	49
China	2,763	498	3,261	3,751	956	4,707	36	92	44
Hong Kong	129	7	136	194	9	203	50	-27	49
Taiwan	58	-105	-47	72	0	72	25	...	...
Japan	164	-29	134	175	-428	-253	7	...	...
Indonesia	275	-88	187	355	75	430	29	...	130
South Korea	129	0	129	184	-37	147	42	...	14
Thailand	64	-580	-516	90	554	644	40	...	...
Vietnam	125	304	428	183	503	685	46	66	60
Middle East	1,417	127	1,545	2,120	227	2,347	50	78	52
Saudi Arabia	409	47	456	626	125	751	53	167	65
Egypt	435	9	445	617	9	626	42	-5	41
UAE	426	58	485	674	75	749	58	28	54
Other Gulf	147	13	160	203	18	221	38	42	39
Turkey	482	122	604	657	303	960	36	149	59
Russia[2]	379	...	379	553	...	553	46	...	46
USA	812	927	1,739	912	540	1,452	12	-42	-16
Italy[2]	175	...	175	205	...	205	17	...	17
UK[2]	117	...	117	135	...	135	15	...	15
Europe ex CIS[3]	...	3,565	3,565	...	1,375	1,375	...	-61	-61
France	...	35	35	...	5	5	...	-85	-85
Germany	...	1,723	1,723	...	628	628	...	-64	-64
Switzerland	...	1,145	1,145	...	464	464	...	-60	-60
Other Europe	...	663	663	...	278	460	...	-58	-58
Total above	8,192	4,354	12,546	14,845	5,716	20,561	81	31	64
Other	1,427	-136	1,290	1,941	791	2,732	36	...	112
World total	9,618	4,217	13,836	16,786	6,507	23,293	75	54	68

Source: GFMS. 1. Provisional. 2. Jewellery only. 3. Net retail investment only.

Table 8: Consumer demand in selected countries: four quarter totals (tonnes)

	Q1 2009			Q1 2010[1]			% Ch Q1 2010 vs Q1 2009		
	Jewellery	Net Retail Invest.	Total	Jewellery	Net Retail Invest.	Total	Jewellery	Net Retail Invest.	Total
India	466.3	163.8	630.1	552.1	195.6	747.7	18	19	19
Greater China	363.5	65.9	429.4	388.6	83.7	472.3	7	27	10
China	334.7	66.2	401.0	362.9	90.2	453.1	8	36	13
Hong Kong	17.4	1.0	18.4	17.4	1.0	18.4	0	-7	0
Taiwan	11.4	-1.4	10.1	8.4	-7.5	0.9	-27	...	-91
Japan	26.1	-1.1	25.0	21.1	-41.8	-20.7	-19	...	...
Indonesia	51.0	-0.5	50.5	41.6	-0.9	40.7	-19	...	-20
South Korea	22.9	-0.6	22.4	19.6	-5.8	13.8	-15	...	-38
Thailand	13.5	25.8	39.3	7.7	25.5	33.1	-43	-1	-16
Vietnam	18.6	68.1	86.7	15.9	61.9	77.8	-15	-9	-10
Middle East	297.9	27.1	325.0	237.5	20.9	258.4	-20	-23	-21
Saudi Arabia	101.4	13.7	115.1	81.3	12.8	94.1	-20	-6	-18
Egypt	71.6	1.4	73.0	59.1	1.0	60.0	-17	-31	-18
UAE	92.7	9.2	101.9	71.9	6.4	78.3	-22	-30	-23
Other Gulf	32.2	2.8	35.1	25.2	0.8	25.9	-22	-73	-26
Turkey	142.2	53.0	195.1	77.1	36.1	113.2	-46	-32	-42
Russia[2]	86.2	...	86.2	62.7	...	62.7	-27	...	-27
USA	176.4	101.9	278.3	148.1	95.3	243.4	-16	-7	-13
Italy[2]	48.9	...	48.9	41.2	...	41.2	-16	...	-16
UK[2]	35.7	...	35.7	31.5	...	31.5	-12	...	-12
Europe ex CIS[3]	...	347.7	347.7	...	209.4	209.4	...	-40	-40
France	...	2.0	2.0	...	0.2	0.2	...	-89	-89
Germany	...	162.0	162.0	...	92.5	92.5	...	-43	-43
Switzerland	...	120.9	120.9	...	71.1	71.1	...	-41	-41
Other Europe	...	62.8	62.8	...	45.6	45.6	...	-27	-27
Total Above	1,749.2	851.2	2,600.5	1,644.5	679.8	2,324.4	-6	-20	-11
Other	322.4	53.0	375.4	255.7	64.3	320	-21	21	-15
World Total	2,071.7	904.2	2,975.9	1,900.3	744.1	2,644.4	-8	-18	-11

Source: GFMS. 1. Provisional. 2. Jewellery only. 3. Net retail investment only.

Table 9: Consumer demand in selected countries: four quarter totals (value, US$mn)

	Q1 2009			Q1 2010[1]			% Ch Q1 2010 vs Q1 2009		
	Jewellery	Net retail invest.	Total	Jewellery	Net retail invest.	Total	Jewellery	Net retail invest.	Total
India	12,945	4,486	17,432	18,238	6,501	24,739	41	45	42
Greater China	10,136	1,838	11,974	12,880	2,771	15,651	27	51	31
China	9,336	1,844	11,180	12,027	2,985	15,012	29	62	34
Hong Kong	483	29	512	578	31	609	20	9	19
Taiwan	317	-34	282	275	-245	30	-13	...	-89
Japan	731	-91	640	704	-1,464	-760	-4	...	...
Indonesia	1,426	-18	1,409	1,354	-44	1,309	-5	...	-7
South Korea	634	-12	622	648	-192	456	2	...	-27
Thailand	379	664	1,043	251	900	1,152	-34	36	10
Vietnam	519	1,906	2,425	529	2,012	2,541	2	6	5
Middle East	8,309	744	9,053	7,730	691	8,421	-7	-7	-7
Saudi Arabia	2,841	370	3,210	2,612	423	3,035	-8	14	-5
Egypt	1,990	39	2,029	1,945	32	1,977	-2	-19	-3
UAE	2,581	256	2,837	2,352	211	2,563	-9	-18	-10
Other Gulf	898	79	977	820	25	845	-9	-68	-13
Turkey	3,996	1,500	5,496	2,479	1,160	3,639	-38	-23	-34
Russia[2]	2,383	...	2,383	2,074	...	2,074	-13	...	-13
USA	4,836	2,813	7,649	4,910	3,147	8,057	2	12	5
Italy[2]	1,328	...	1,328	1,384	...	1,384	4	...	4
UK[2]	966	...	966	1,061	...	1,061	10	...	10
Europe ex CIS[3]	...	9,520	9,520	...	6,826	6,826	...	-28	-28
France	...	148	148	...	5	5	...	-90	-90
Germany	...	5,120	5,120	...	3,018	3,018	...	-32	-32
Switzerland	...	3,820	3,820	...	2,317	2,317	...	-30	-30
Other Europe	...	2,074	2,074	...	1,487	1,487	...	-13	-13
Total above	48,588	23,351	71,939	54,241	22,308	76,548	12	-4	6
Other	8,919	1,435	10,354	8,439	2,133	10,572	-5	49	2
World total	57,507	24,787	82,294	62,680	24,441	87,121	9	-1	6

Source: GFMS. 1. Provisional. 2. Jewellery only. 3. Net retail investment only.

Historical data for identifiable gold demand

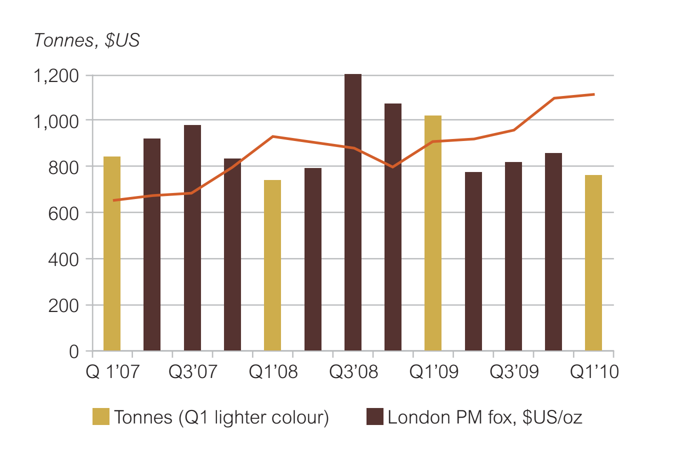
Table 10: Historical data for identifiable gold demand[1]

	Tonnes					US$bn				
	Jewellery	Net retail invest	ETFs and similar	Industrial and dental	Total	Jewellery	Net retail invest.	ETFs and similar	Industrial and dental	Total
2000	3,204	166	-	451	3,822	28.75	1.49	-	4.05	34.29
2001	3,008	357	-	363	3,728	26.22	3.11	-	3.16	32.49
2002	2,660	340	3	358	3,362	26.49	3.39	0.03	3.56	33.47
2003	2,483	301	39	382	3,206	29.00	3.52	0.46	4.46	37.45
2004	2,617	349	133	414	3,512	34.43	4.59	1.75	5.44	46.20
2005	2,712	393	208	432	3,745	38.73	5.56	2.97	6.17	53.51
2006	2,288	416	260	460	3,424	44.42	8.07	5.05	8.92	66.46
2007	2,405	433	253	462	3,552	53.76	9.67	5.66	10.32	79.42
2008	2,187	863	321	436	3,806	61.30	24.18	9.00	12.21	106.69
2009	1,747	676	595	368	3,386	54.62	21.14	18.59	11.49	105.85
Q1'06	492	93	113	112	810	8.76	1.65	2.01	2.00	14.42
Q2'06	530	97	49	115	792	10.70	1.96	0.99	2.33	15.98
Q3'06	558	112	19	116	804	11.15	2.23	0.38	2.32	16.08
Q4'06	708	114	79	116	1,018	13.96	2.25	1.56	2.29	20.06
Q1'07	568	119	36	117	840	11.88	2.48	0.76	2.44	17.56
Q2'07	666	135	-3	119	918	14.28	2.90	-0.05	2.56	19.68
Q3'07	607	113	139	117	977	13.28	2.46	3.05	2.57	21.63
Q4'07	576	67	80	111	834	14.56	1.70	2.02	2.81	21.09
Q1'08	451	98	73	117	739	13.40	2.92	2.16	3.48	21.97
Q2'08	521	148	4	119	792	15.02	4.27	0.12	3.42	22.83
Q3'08	674	271	149	113	1,208	18.90	7.60	4.19	3.17	33.85
Q4'08	547	340	95	91	1,072	13.97	8.69	2.42	2.32	27.40
Q1'09	329	144	465	79	1,018	9.62	4.22	13.58	2.31	29.72
Q2'09	431	189	57	94	770	12.77	5.60	1.68	2.18	22.83
Q3'09	488	188	41	97	815	15.05	5.82	1.28	3.00	25.15
Q4'09	511	184	54	103	853	18.08	6.52	1.91	3.65	30.16
Q1'10[1]	471	182	4	103	760	16.79	6.51	0.14	3.68	27.11

Source: Tonnage data are GFMS; Value data are WGC calculations based on GFMS data.
1. See footnotes to Table 1 for definitions and notes. 2. Provisional.

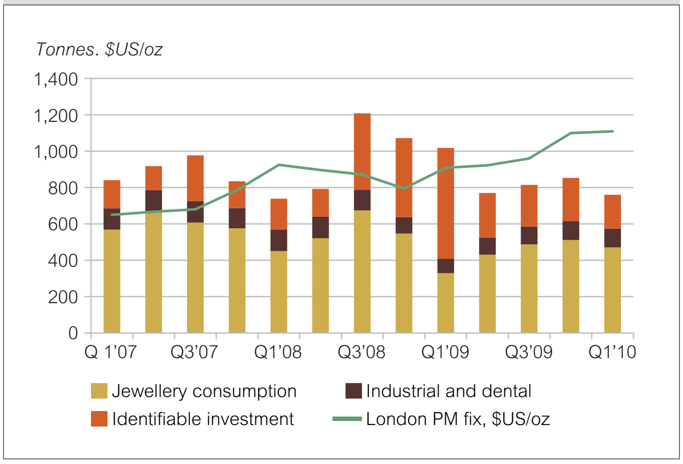
Appendix

Chart 9: Total identifiable (tonnes) and the gold price



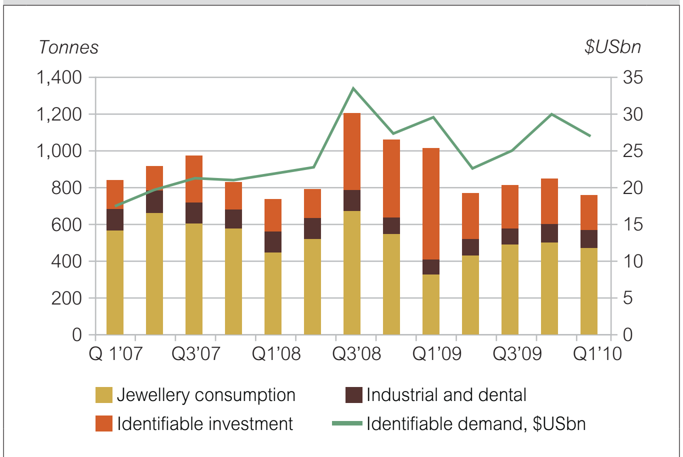
Source: GFMS

Chart 12: Total identifiable demand, tonnes and the gold price



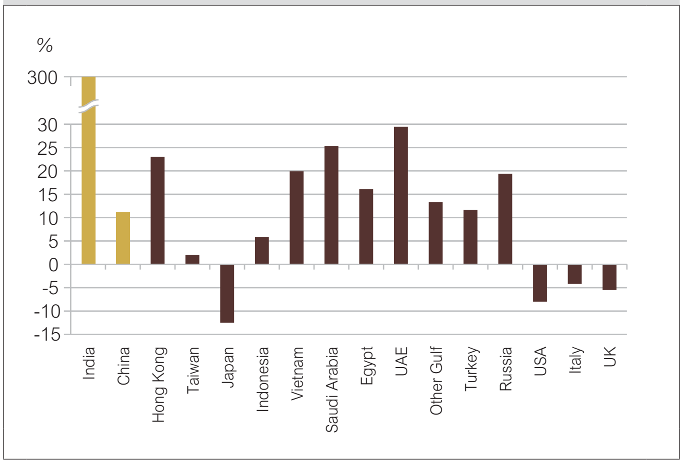
Source: GFMS

Chart 10: Total identifiable demand, tonnes and US$bn



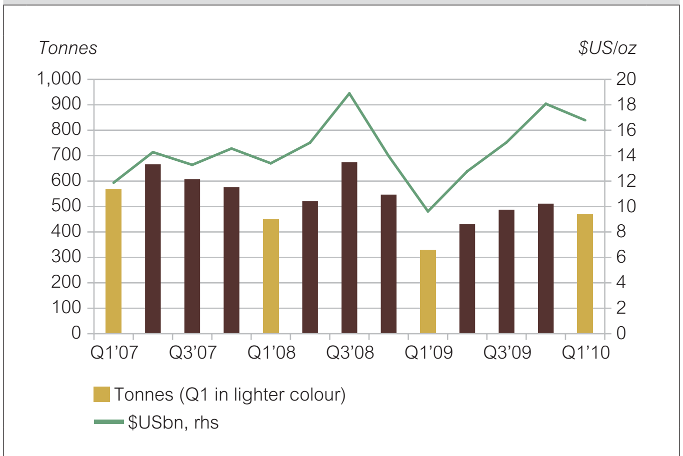
Source: GFMS, WGC

Chart 13: Jewellery by country in tonnes (Q1'10 vs Q1'09 % change)



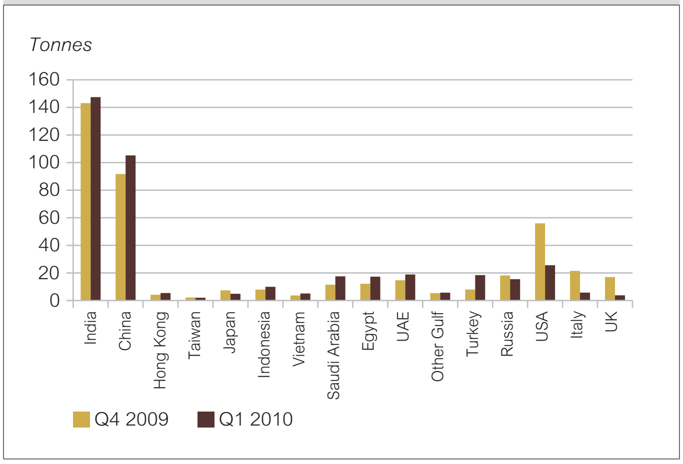
Source: www.exchangetradedgold.com, IHS Global insight

Chart 11: Jewellery demand in tonnes and US$bn



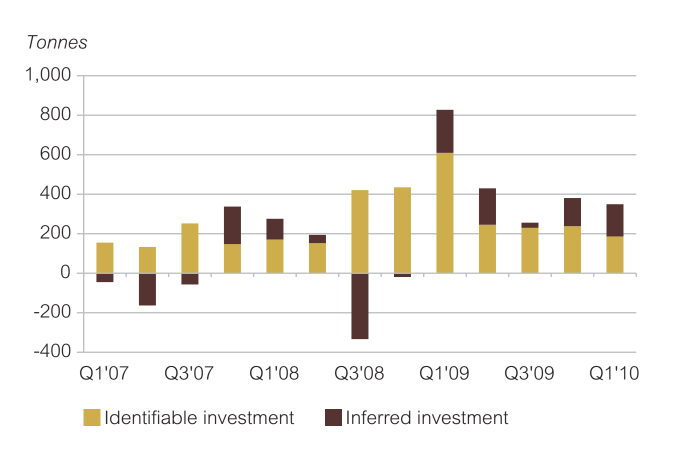
Source: GFMS, WGC

Chart 14: Jewellery demand in tonnes, Q4 2009 vs Q1 2010



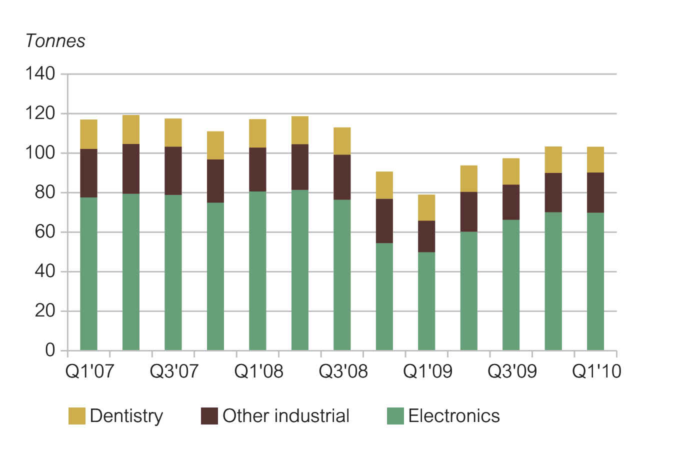
Source: GFMS

Chart 15: Identifiable investment plus inferred investment (tonnes)



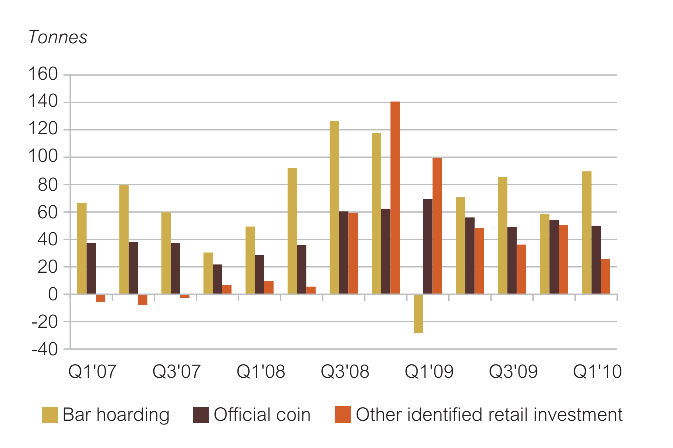
Source: GFMS

Chart 18: Industrial demand by category in tonnes



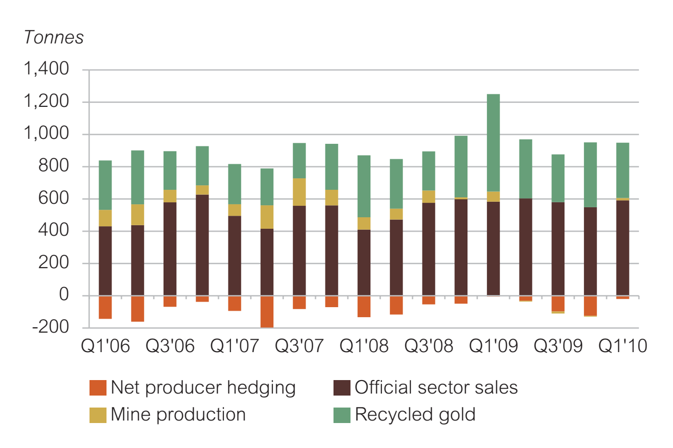
Source: GFMS

Chart 16: Net retail investment by category in tonnes



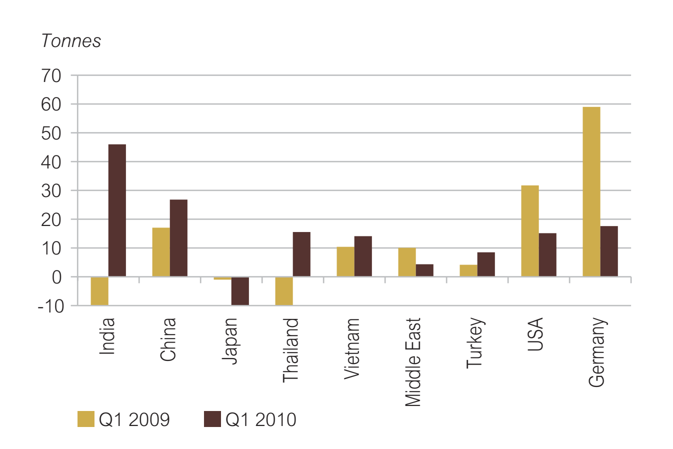
Source: GFMS

Chart 19: Quarterly supply in tonnes



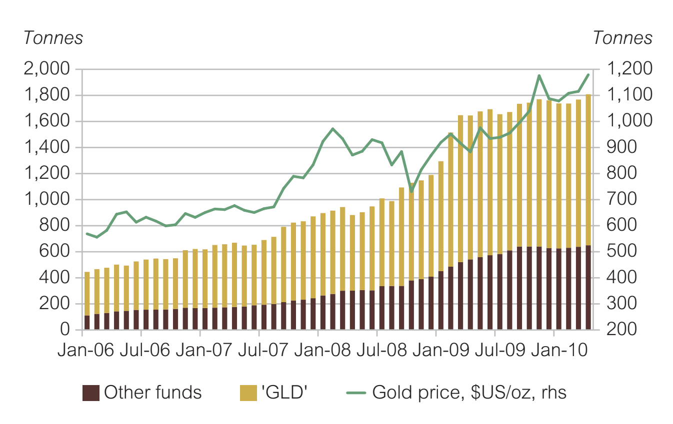
Source: GFMS

Chart 17: Net retail investment in tonnes, Q1 2009 vs Q1 2010



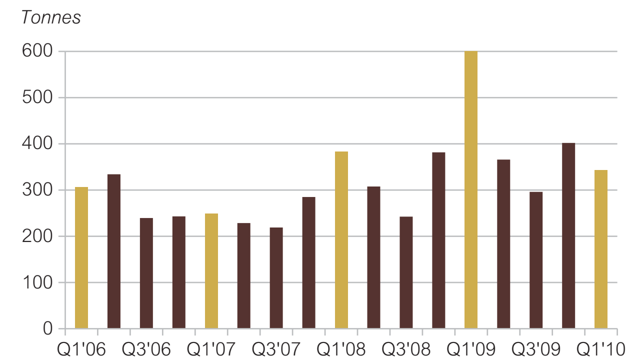
Source: GFMS

Chart 20: Holdings in exchange traded funds (tonnes) and the gold price, Jan 06 – Apr 10



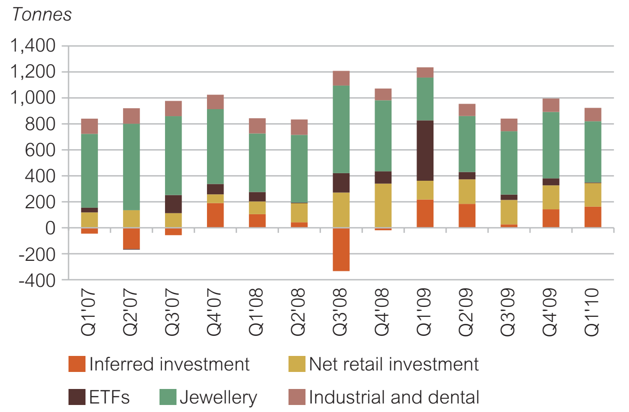
Source: www.exchangetradedgold.com, IHS Global insight

Chart 21: Supply of recycled gold in tonnes



Source: GFMS

Chart 22: Quarterly demand in tonnes including inferred investment



Source: GFMS

Notes and definitions

All statistics (except where specified) are in weights of fine gold.

Tonne = 1,000 kg or 32,151 troy oz of fine gold.
N/A = not available
… = not applicable

Mine production. Formal and informal output.

Net producer hedging. The change in the physical market impact of mining companies' gold loans, forwards and options positions.

Official sector sales. Gross sales less gross purchases by central banks and other official institutions. Swaps and the effect of delta hedging are excluded.

Recycled gold (previously old gold scrap). Gold sourced from old fabricated products which has been recovered and refined back into bars.

Jewellery. All newly-made carat jewellery and gold watches, whether plain gold or combined with other materials. It excludes second-hand jewellery, other metals plated with gold, coins and bars used as jewellery and purchases funded by the trading in of existing jewellery.

Retail investment. For the three bar, coin and medallions categories this comprises individuals' purchases of coins and bars defined according to the standard adopted by the European Union for investment gold. Medallions of at least 99% purity, wires and lumps sold in small quantities are also included. In practice this includes the initial sale of many coins destined ultimately to be considered as numismatic rather than bullion. It excludes second hand coins and is measured as net purchases.

"Other" identified retail investment refers to Western Europe and North America. It includes net investment in physical bullion as defined by the EU (other than new coins which are included in the two coin categories), individuals' paper transactions with a direct physical counterpart plus Over-The-Counter activity and changes in metal account holdings where measurable and retail targeted.

Consumer demand. The sum of jewellery and retail investment purchases for a country i.e. the amount of gold acquired directly by individuals.

Industrial demand. The first transformation of raw gold into intermediate or final products destined for industrial use such as gold potassium cyanide, gold bonding wire, sputtering targets. This includes gold destined for plating jewellery.

Dental. The first transformation of raw gold into intermediate or final products destined for dental applications such as dental alloys.

Tourist purchases and "luggage trade". Purchases by foreign visitors which are normally for their own use or for gifts are included in demand in the country of purchase. Bulk purchases by foreign visitors ("luggage trade") which appear to be intended for resale in the visitors' country of origin or a third country are attributed to the country in which they are resold.

Revisions to data. All data may be subject to revision in the light of new information.

Historical data

Data covering a longer time period will be available on Bloomberg from May 20th; alternatively contact GFMS Ltd (+44 (0)20 7478 1777; gold@gfms.co.uk).

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